

THE COST SAVING IN VALUE ENGINEERING EXERCISE
IN CONSTRUCTION CONTRACTS

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A thesis submitted in fulfillment of the
requirements for the award of the degree of
Master of Science (Construction Contract Management)

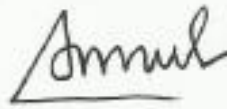
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DECLARATION

I declare that this thesis entitled "*The Cost Saving in Value Engineering Exercise in Construction Contracts*" is the result of my own research except as cited in the references. The thesis has not been accepted for any degrees and is not concurrently submitted in candidature of any other degree.

Signature :



Name :

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Date :

28/8/2012

DEDICATION

“To my beloved wife Indirasati, and my family”

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ABSTRACT

On the project, design improvement is related to the value engineering. According to Kelly, J., Male, S., and Graham, D., (2004), value engineering is the process of making explicit the functional benefits a client requires from the whole or parts of a project at an appropriate cost during design and construction. Value engineering can be implemented into the public projects (county, city, state, and federal) and private sector entities in design and build. Project types can include any facility or structure type, such as bridges, highways, buildings, hospitals, schools, court facilities, mass transit facilities, water treatment plants, and marine facilities. In relation to a construction project, a value engineering exercise may result in a variety of changes in the contract documents which may reduce costs, improve or maintain project quality, and/or decrease the duration of construction. For the purpose of this research, the focus is relating to cost saving or cost reduction as one of the important benefits from value engineering. The problem arises when the value engineering exercise is done by the contractor in design and build contract. The contractor, with his own idea, has taken the value engineering review at the construction phase. The issue is who will enjoy the cost saving from value engineering. This research will be analyzed based on the literature such as reference books, articles, journals, seminar papers, legal cases, related website, etc. The analysis is divided into two phases. One is before award phase, and two, is after award phase. This research analyzed a live project, the Project of Jetty and Marine Work for PLTU (Coal Fired System Power Plant) 2 Labuhan, Banten (2 x 300 MW), Indonesia. So the result of this research can identify the party who will enjoy the cost saving from value engineering in construction project. For example, before award phase, the employer is the party who will enjoy the cost saving from value engineering, and after award phase, with value engineering clause, when the contractor initiative the value engineering to modify design, generally the cost saving from value engineering will be shared between the employer and the contractor.